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Forbes

SOUTHERN PACIFIC'S BEN BIAGGINI

FAST TRACK TO TROUBLE

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August 16, 1982
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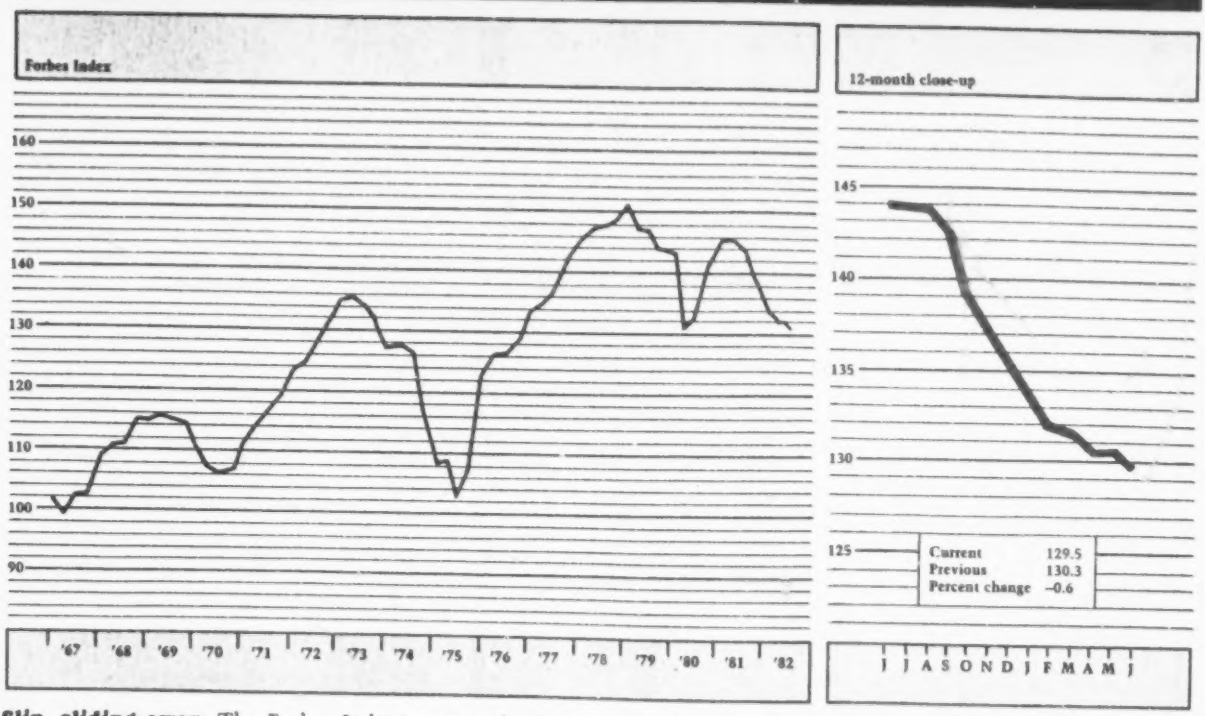
The Forbes Index



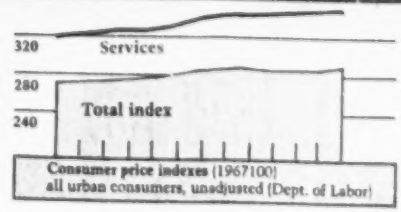
Slip, sliding away. The Forbes Index' recent advance—the first in more than ten months—was very short-lived. It is now falling again, with most economic indicators heading down. Industrial production, for example, fell 0.7% in June, the fourth straight monthly decline. New housing starts took a real beating, dropping 7.9%.

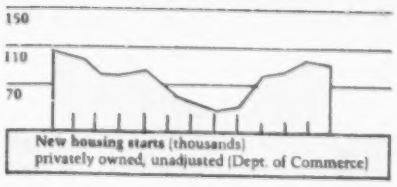
A nagging worry is that inflation may again be on the rise. The June Consumer Price Index was up 1.2% over its May level. Some good news is that personal income also posted a gain, up 0.1% last month. Consumers, however, may be having second thoughts about spending. Retail sales for June declined by 1.5%. What it all means is that the recovery, expected to begin this month, may arrive well behind schedule.

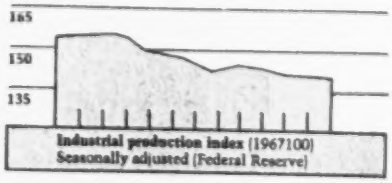
The Forbes Index Components

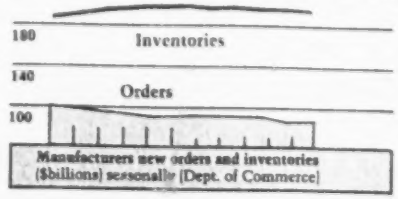
The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements. **Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, the change in the amount of consumer installment debt outstanding.**

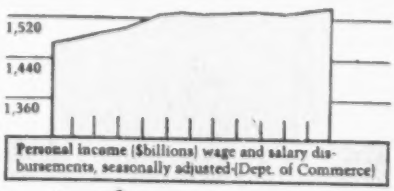
To measure these eight elements, Forbes monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.

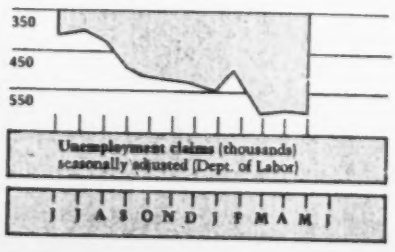


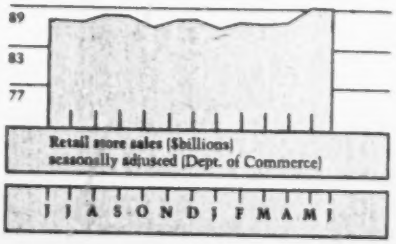


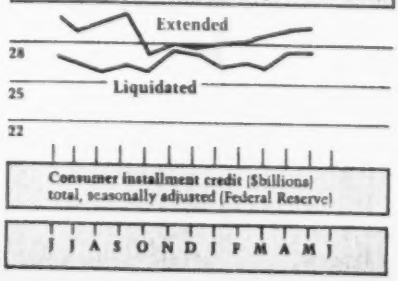




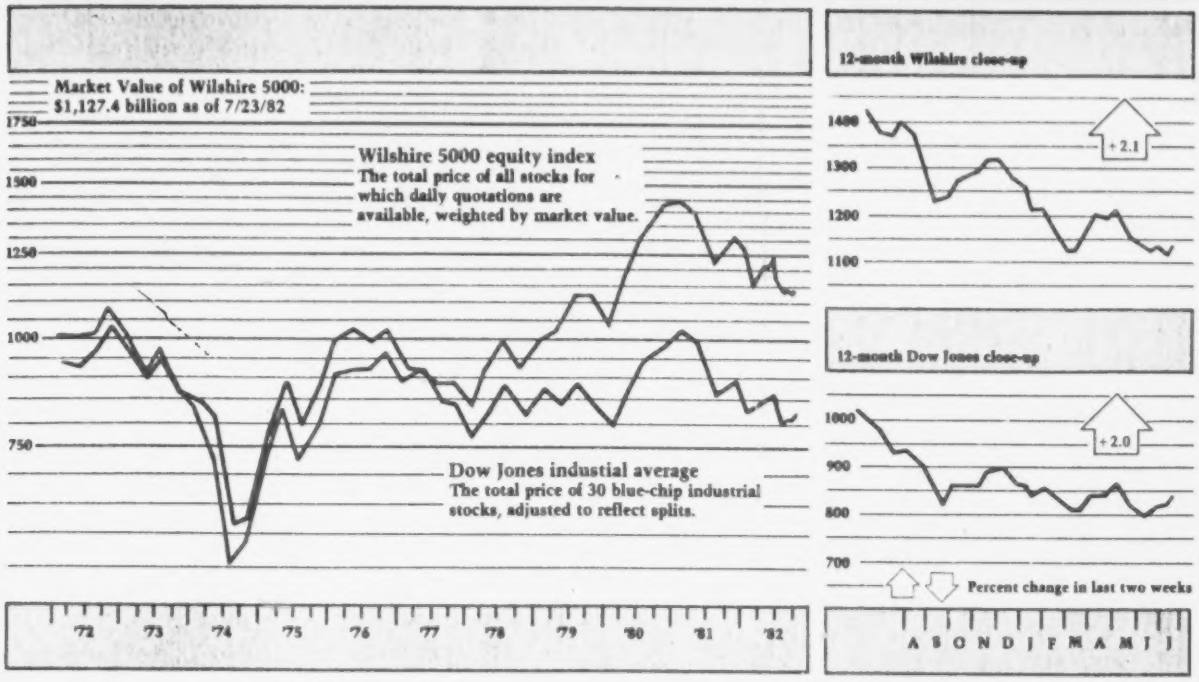








The Forbes/Wilshire 5000 Review



Leaving the bottom. Wall Street made gradual progress over the past two weeks. The Wilshire index, which measures over 5,200 securities, advanced 2.1% and added more than $41 billion in capital. The NYSE and the Dow industrials performed almost in step with the Wilshire. NASDAQ issues, meanwhile, were up 2.4%. Amex issues, up 3.3%, registered the best gains of all.

Despite these hard-won gains, the market is still well behind where it was one year ago. For the last 52 weeks the 30-stock Dow is off 11.3%. As is often the case, the Dow understates a bull market and overstates a bear market. The Wilshire shows that the overall market dropped $225 billion in capitalization and fell 16.3% during the last year. The NYSE composite, off by 14.5%, is even further behind than the Dow, but NASDAQ stocks now show a one-year loss in excess of 17%. The clincher is the 30% decline in Amex issues.

For a major rally to occur, the market must overcome the past year's damage. In addition, long-term investments must get an edge on short-term profit-taking.

Close-up On The Equity Markets

Performance of five leading indexes

Percent change	Wilshire 5000	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	1.6	3.4	1.7	1.7	1.0
in last 52 weeks	–16.3	–11.3	–14.5	–30.0	–17.3

Stock performance based on five key investor yardsticks

Percent change	Volatility*		P/E multiple		Dividend yield		Growth profile†		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	2.6	1.5	1.0	4.5	1.4	4.0	1.8	1.9	2.0	1.0
in last 52 weeks	–14.4	2.1	–24.3	–2.7	–0.3	–7.1	–12.3	–3.1	–14.3	–15.0

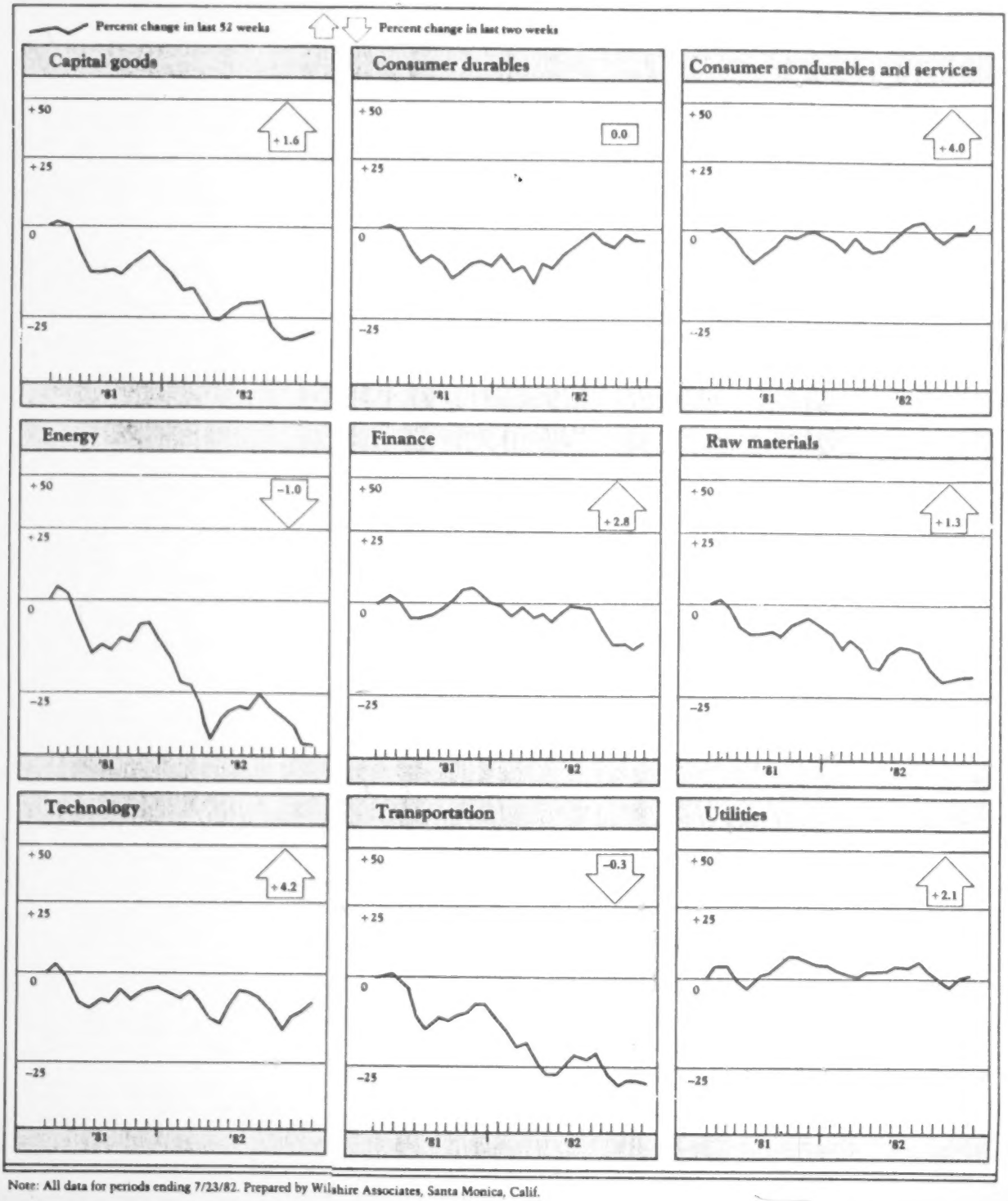
*A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations; low-volatility issues are more stable.
†A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 7/23/82. Prepared by Wilshire Associates, Santa Monica, Calif.

Positive signs. During the last two weeks both utilities, up 2.1%, and consumer nondurables and services, up 4%, moved into plus territory for the 52-week period. This is the first time in months that more than one industry group is ahead for the full 52-week span.

The best-performing sector, however, was technology, which moved ahead 4.2%. Over the past month the high-tech stocks advanced almost 6%. Having been hard-hit in the decline, this group is still behind its year-ago level, but if it continues its recent momentum it may break the barrier that has stymied it for more than a year.

Three sectors failed to gain ground over the last two weeks. Still, only two sectors, transportation and energy, ended up in the red. Their setbacks were minor.



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